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February 18, 2005

Kristi Izzo, Secretary
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

**RE: In the Matter of a Voluntary
Green Power Choice Program
Docket No. E0050100001**

Dear Secretary Izzo:

Green Mountain Energy Company ("Green Mountain") respectfully submits the following comments in support of the above referenced matter.

Overview

Vigorous customer participation is the key to achieving the policy objectives underlying the Voluntary Green Power Choice Program.

Accessibility, convenience, low cost, sustained awareness, credibility and reliability are the keys to achieving vigorous customer participation. That's not mere opinion. Green Mountain has performed extensive market research in New Jersey to develop supporting data, backed up by actual market experience in related retail green power programs around the nation.

Comments to the Draft Proposal

Program Launch: Green Mountain recommends the Board set a definitive date by which customers may begin subscribing to the Program, rather than the target of "eight months from the issuance of the Board Order" as stated in the Proposal. Green Mountain supports a launch date for the program of September 1, 2005.

Compensation and Cost Recovery: Green Mountain recommends that the eligibility for cost recovery in support of the Program be extended to New Jersey's gas utilities. Public utility companies, other than the electric distribution companies, can serve to boost and reinforce consumer awareness of the Program, and contribute toward the Program's credibility and customer "comfort level," thus raising overall customer participation levels.

Green Power Marketer Qualifications:

- Green Mountain opposes the proposed requirement of a two-year participation term for Green Power Marketers (GPM). This is in conflict with the Board's oft-stated policy of "greater reliance on competitive energy markets," and is inconsistent with the retail choice rules by which licensed electric suppliers have the discretion to be active or inactive in the New Jersey market.
- Green Mountain opposes the "annual open enrollment" concept in the Draft Proposal. As expressed in the paragraph above, in the spirit of a competitive market environment, qualifying GPMs should be able - - and encouraged - - to join the Program at anytime.
- Green Mountain is staunchly opposed to any regulation limiting a GPM from making price and product changes in response to market conditions, competitive considerations, or wholesale market conditions. Retail choice regulations do not restrict Third Party Suppliers in this way. Any changes to the terms and conditions of a GPM's offer should adhere to BPU's existing consumer protection and customer notification regulations. Allowing GPMs to react to market and competitive conditions can benefit consumers. For example, in the Niagara Mohawk "GreenUp" program, the four participating marketers have lowered prices or improved products and service to compete against one another during the past three years.
- Minimum marketing requirements for GPMs – Minimum marketing requirements will help ensure greater investment by the marketers in the program, heightened consumer awareness of the program, and more choices for customers. A GPM should have its access to Program marketing tools such as bill inserts, and distribution companies' and Office of Clean Energy's web sites reduced, or be disqualified from participating in the Program unless certain minimum performance levels are achieved. This may be measured and attained by establishing customer enrollment thresholds. Green Mountain recommends a schedule that within 12 months of launch, each GPM must reach and maintain a level of 5,000 customers served; 7,500 customers served within 18 months of launch; and 10,000 customers served within 24 months of launch. To meet these thresholds, a GPM will necessarily need to sufficiently invest in marketing. Any GPM opposed to minimum marketing requirements is only interested in the "free ride" afforded by the utilities' bill inserts and the official Program web sites.
- Licensed electric suppliers, in good standing, should be automatically certified as GPMs for the Program. Licensed electric suppliers should likewise be credited for the proposed \$25,000 GPM security requirement. Existing licensed suppliers are held to a greater standard than is being proposed for GPMs, including creditworthiness and the level of security that may be required.

- The Electric Discount and Energy Competition Act, as well as the Board's own regulations, give BPU the discretion to recognize acceptable financial instruments for meeting security requirements related to licensing. The Board currently requires surety bonds to meet the requirement, as is also proposed in the Draft Proposal. Green Mountain recommends the Board allow for Letters of Credit as well as surety bonds to meet any security requirements.

Program Length: Green Mountain recommends the Board Order establish a term of no less than five (5) years for the Program. A program of this nature will take time to develop customer acceptance and grow to sufficient scale. Uncertainty about the length or future of the program is counter to the level of investment required of the electric distribution companies, the GPMs, and the Office of Clean Energy to start up and sustain the Program. EDI functionality is an example of such investment. And of course, it is in the best interest of New Jersey consumers to be assured of the continued existence of a Program to which they are being encouraged to commit.

Product Certification: Third party certification of products, as indicated in the Draft Proposal, should be at the option of the GPM, and not a requirement.

Sourcing Boundaries for Renewable Energy Certificates: Green Mountain has compiled statistical data through consumer research to show that price is the primary driver of consumer purchases of renewable energy products. If you want renewable energy to find its way into the mainstream of consumerism you must appeal to the price consciousness of the customer. Eighty five percent of consumers will tell you they will buy green power. The majority will say they prefer the most recognizable generation sources, like solar and wind energy. But when exposed to price, they will unhesitatingly choose the lowest cost product, even if it's based on sources such as biomass and landfill gas. We strongly urge the Board to consider an approach to the sourcing and procurement of renewable energy certificates (RECs) for qualifying products in the Program that helps keep product prices in the range of perceived affordability to New Jersey customers. As evidence, we note for the Board that the State of Connecticut, in its soon-to-be launched Alternative Transitional Standard Offer program, allows up to 50% of qualifying RECs to come from national sources. As a result, the products bid for the Connecticut program are close to just *one cent per kilowatt hour*. Conversely, given the current market for wholesale RECs in PJM, product offerings for New Jersey's proposed Program could equal or exceed *two cents per kilowatt hour more*. Accordingly, we suggest the Program be given "training wheels" until it becomes established. We offer the following:

Year 1: up to 50% of RECs may be sourced from anywhere in the U.S.
 Year 2: up to 35% of RECs may be sourced from anywhere in the U.S.
 Year 3: up to 25% of RECs may be sourced from anywhere in the U.S.
 Year 4: 100% PJM generation sources
 Year 5: 100% PJM generation sources

We discourage the Board from requiring a minimum "new renewable" content stipulation, especially in the early years of the program. Simply stated, there just are not enough "new source" RECs currently available in PJM. Thus the Board would be placing a *de facto* cap on the number of customers that can sign up for the Program.

We recognize that the Board wants to stimulate local development of renewable generation facilities, and to help improve New Jersey's environment. By making the products affordable and thereby building strong customer demand, you will encourage developers to build facilities in New Jersey and the PJM region. As for the environment, carbon reduction is a national and global concern.

Summary

Vigorous customer demand is the key to the success of the proposed Voluntary Green Power Choice Program.

Green Mountain encourages the Board to allow customers to decide the Clean Energy Choice products and price that meets their needs and appeals to their personal interest.

Green Mountain is committed to participating in the Program and to actively marketing to New Jersey customers, but only if the Program structure and business rules are practical and viable. Green Mountain has stayed with New Jersey's restructured electric market since 1999 - - longer than any other Third Party Supplier. Green Mountain's efforts to provide New Jersey consumers with cleaner, less-polluting electric choice extends back even longer.

We stand ready to help make New Jersey's Voluntary Green Power Choice Program a model of success for the nation. Let's launch it this Autumn.

Sincerely,

John Holtz
Director, Business Development & External Affairs

c: Michael Winka, Director – Office of Clean Energy
Service List